

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-13 PM-05 NSC-05 SP-02 SS-15
CIAE-00 DODE-00 INR-10 NSAE-00 PA-01 ICA-11 EB-08
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R 101629Z MAY 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8389
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
COMICEDEFOR KEFLAVIK IC
USMISSION GENEVA

C O N F I D E N T I A L REYKJAVIK 0630

USOECD

E.O. 11652: GDS
TAGS: PINT, IC
SUBJECT: ALTHING DISSOLVED ENDING LACKLUSTER SESSION

REF: A) 77 REYKJAVIK 1446 (NOTAL); B. REYKJAVIK 0251 (NOTAL)

SUMMARY. ALTHING WAS DISSOLVED MAY 6 AFTER UNEXCITING SESSION WHICH IGNORED MANY OF COUNTRY'S PROBLEMS. MOST SIGNIFICANT MEASURES APPROVED BY PARLIAMENT DEALT WITH ECONOMIC MATTERS BUT MPS, FACING REELECTION JUNE 25, REFUSED TO ADMINISTER STRONG MEDICINE THAT ICELAND'S UNHEALTHY ECONOMY REALLY NEEDED. ALTHOUGH MANY CONNECTED WITH "DO-NOTHING" ALTHING ARE SOMEWHAT EMBARRASSED BY ITS PERFORMANCE, IT IS UNLIKELY THAT SUBJECT WILL BE RAISED IN ELECTION CAMPAIGN. END SUMMARY.

1. ALTHING ENDED 99TH SESSION AFTER MARATHON DISCUSSIONS MAY 6. DURING SESSION WHICH BEGAN OCTOBER 10, 93 GOVERNMENT BILLS AND
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FIFTEEN NON-GOVERNMENT BILLS WERE PASSED INTO LAW. ALL BUT A HANDFUL WERE OF MINOR SIGNIFICANCE.

2. ECONOMIC LAWS DEALT WITH THE BUDGET (BEING REPORTED SEPARATELY), ANTI-INFLATION MEASURES (REF B), AND TAX CHANGES (SEPTTEL). ANOTHER LAW, WHEN IT BECOMES EFFECTIVE, WILL PERMIT MERCHANTS TO INCREASE GRADUALLY AMOUNT OF MARK-UP ON A VARIETY OF GOODS

THEREBY MOVING COUNTRY HALF-STEP CLOSER TO FREE MARKET SYSTEM. A PROTECTIONIST MEASURE TAKING EFFECT IN 1981 IMPOSES A THREE PERCENT "EQUALIZATION TAX" ON GOODS WHOSE TARIFFS HAVE BEEN LOWERED AS RESULT OF EFTA AND EEC AGREEMENTS. AS RESULT OF TWO SEPARATE BILLS, EXCISE TAX COVERING BOTH DOMESTIC AND IMPORTED GOODS WAS EXTENDED ALTHOUGH RATE REDUCED BY TWO PERCENT.

3. AMONG OTHER MEASURES, ONE ON SOCIAL SECURITY WILL INCREASE BENEFITS FOR SOME CATEGORIES OF INDIVIDUALS. BY ALTHING RESOLUTION, A NEW COMMITTEE WAS CREATED TO STUDY CHANGES IN THE CONSTITUTION; THE EXISTING COMMITTEE HAS LONG BEEN "STUDYING" MATTER WITHOUT RESULT. IN ADDITION, LAST MINUTE LAW PROHIBITS FOREIGNERS FROM PROVIDING AID TO ICELANDIC POLITICAL PARTIES AND BANS PUBLICATIONS BY FOREIGN EMBASSIES (REYKJAVIK 0624 NOTAL).

4. BY ALL ACCOUNTS, ALTHING FAILED TO LIVE UP TO EVEN LOW EXPECTATIONS. RESULTS OF POLL TAKEN LAST MONTH BE UNAFFILIATED DAILY DAGBLADID SHOWED ONLY 4 PERCENT RATING ALTHING PERFORMANCE AS "GOOD", 52 PERCENT AS "FAIR", AND 36 PERCENT AS "POOR". MPS SEEMED TO AVOID IMPORTANT ISSUES IN FAVOR OF THE TRIVIAL. TAX BILL WAS A START BUT DID NOT GET TO HEART OF REFORM AS MANY HAD HOPED. ELECTORAL REFORM WAS DISCUSSED AT LENGTH BUT NO ACTION WAS TAKEN. BILLS TO IMPROVE AGRICULTURAL, EDUCATIONAL, HOUSING, AND JUDICIAL

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SYSTEMS WERE INTRODUCED WITHOUT ENTHUSIASM AND LEFT TO DIE. REPORT ON MISBEGOTTEN KFRAFLA GEOTHERMAL POWER PLANT GENERATED MORE ENERGY THAN KRAFLA PLANT ITSELF ALTHOUGH ONLY RESULT IS THAT GOI IS AS DETERMINED AS EVER TO CONTINUE PROJECT. DEBATE ON FOREIGN POLICY MATTERS WAS MINIMAL, AND NOT EVEN SUBJECT OF KEFLAVIK NATO BASE ATTRACTED MUCH DISCUSSION. MPS WERE CLEARLY HYPNOTIZED BY ELECTORAL CLOCK THAT TICKED AWAY THROUGHOUT SESSION, AND MANY WERE INVOLVED WITH PRIMARY CAMPAIGNS OR OTHER POLITICKING AS MUCH AS WITH LEGISLATING.

5. GOI AND INDEPENDENCE PARTY IN PARTICULAR TAKE SOME PRIDE IN ANTI-INFLATION MEASURES THAT WERE APPROVED IN FEBURARY (REF B). THESE MEASURES DID HELP TO TRIM INFLATION SLIGHTLY AND TOOK SOME POLITICAL COURAGE A MERE FOUR MONTHS BEFORE NATIONAL ELECTIONS. HOWEVER, WITH INFLATION RATE EXPECTED TO BE 35-40 PERCENT THIS YEAR, ACTION WAS TOO LITTLE TOO LATE. IT HAD RELATIVELY LITTLE EFFECT YET STILL MANAGED TO ANTAGONIZE LABOR (REYKJAVIK 0600 NOTAL). LABOR RESENTMENT IS UNDERSTANDABLE WHEN ONE NOTES THAT MPS RAISED OWN SALARIES DURING THIS SESSIION.

6. DESPITE DISAPPOINTING ALTHING PERFORMANCE, IT IS UNLIKELY THAT MATTER WILL BE RAISED IN ELECTORAL CAMPAIGN. ALL FIVE ALTHING PARTIES ARE RESPONSIBLE FOR SESSION'S LENGTH AND LACK OF DEPTH. GOVERNING PARTIES, OF COURSE, ARE MOSTLY TO BLAME, BUT ELECTION SEEMS TO BE FOCUSED AS MUCH ON PROPOSING SOLUTIONS TO ECONOMIC PROBLEMS AS ON LAYING BLAME FOR NOT SOLVING THEM TO DATE.

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